



2007

ANNUAL REPORT

PUBLIC EMPLOYEES GROUP LIFE  
INSURANCE FUND



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## Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Sir:

### Letter of Transmittal

I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in cursive script, reading "Rod Gantefer".

Rod Gantefer  
Minister of Finance

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## Letter of Transmittal

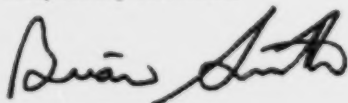
The Honourable Rod Gantefoer  
Minister of Finance  
Regina, Saskatchewan

Sir:

### Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the seventeenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith", written in a cursive style.

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# Public Employees Group Life Insurance Fund

## Introduction

The Public Employees Group Life Insurance Plan was established on April 1, 1958.

The Plan provides comprehensive life insurance coverage to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also provided coverage under the Plan.

As at December 31, 2007 there were approximately 27,142 insured employees.

## Participating Employers

The following employers participate in The Government of Saskatchewan Group Life Insurance Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Cafeteria Board of Saskatchewan  
Canadian Labour Congress Local 481  
(Saskatchewan Government and General Employees Union, Union Office Employees)  
Chief Electoral Officer (Office of the)  
Children's Advocate (Office of the)  
Crown Investments Corporation of Saskatchewan  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Information Services Corporation of Saskatchewan  
Kelsey Trail Regional Health Authority  
Leader of the Opposition (Office of the)  
Legislative Assembly Service  
Liquor and Gaming Authority  
Meewasin Valley Authority  
Milk Control Board  
NDP Caucus Office  
Ombudsman (Office of the)

Power Greenhouses Inc.  
Prairie Diagnostic Services Inc.  
Prairie North Regional Health Authority  
Provincial Auditor (Office of the)  
Rentalsman (Office of the)  
Sask Pork  
Saskatchewan Archives Board  
Saskatchewan Arts Board  
Saskatchewan Assessment Management Agency  
Saskatchewan Centre of the Arts  
Saskatchewan Communications Network Corporation  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Film and Video Development Corporation  
Saskatchewan Government Insurance  
Saskatchewan Human Rights Commission  
Saskatchewan Institute of Applied Science and Technology  
Saskatchewan Municipal Board  
Saskatchewan Party Caucus  
Saskatchewan Power Corporation  
Saskatchewan Telecommunications Holding Corporation  
SaskEnergy Incorporated  
SecurTek Monitoring Solutions Inc.  
South Saskatchewan River Irrigation District No.1  
St. Louis Alcoholism Centre Board of Governors  
Sun Country Regional Health Authority  
Tourism Authority  
TransGas Limited  
Wakamow Valley Authority  
Wanuskewin Heritage Park Authority  
Wascana Centre Authority  
Western Development Museums  
Workers' Compensation Board (The)

The Board, of each of the following respective pension plans, is responsible for the administration, with respect to individuals receiving benefits under each plan:

Anti-Tuberculosis League Employees  
Superannuation Plan  
Liquor Board Superannuation Plan

Power Corporation Superannuation Plan (The)  
 Public Employees Pension Plan  
 Public Service Superannuation Plan  
 Saskatchewan Telecommunications Pension  
 Plan (The)  
 Pension Plan for the Employees of the  
 Saskatchewan Workers' Compensation Board

The Government of Saskatchewan with respect  
 to the following individuals:

Assistant Chief Electoral Officer  
 Chief Electoral Officer  
 Children's Advocate  
 Conflict of Interest Commissioner  
 Individuals receiving an allowance pursuant to  
 section 5 of *The Members of the Legislative  
 Assembly Benefits Act*  
 Individuals receiving benefits under the Judges  
 of the Provincial Court Superannuation  
 Plan  
 Information and Privacy Commissioner  
 Judges of the Provincial Court  
 Legislative Assembly (Members of the)  
 Members of the Public Service of Saskatchewan  
 as defined by *The Public Service Act, 1998*  
 Ombudsman  
 Provincial Auditor  
 Rentalsman  
 Supervising justice of the peace, appointed  
 under section 3 of *The Justices of the  
 Peace Act, 1988*

#### Administration

The Public Employees Group Life Insurance  
 Plan is underwritten on a cost-plus basis and is

managed by the Public Employees Benefits  
 Agency, Saskatchewan Finance.

The Co-operators Life Insurance Company  
 under Group Policy G.1100 (Life) provides  
 claims adjudication and benefit payment  
 services to the Plan.

#### Investment Management Services

The Minister of Finance is authorized to invest  
 money of the Group Life Insurance Fund in any  
 class of investments authorized for the  
 investment of moneys in the general revenue  
 fund.

Co-operators Investment Counselling Limited  
 invests the monies of the Fund under a contract  
 to provide services. The Fund pays  
 management fees to Co-operators Investment  
 Counselling Limited.

#### Funding

Funding for the Plan is comprised of employee  
 and employer paid insurance premiums based  
 on salary and the age, gender and smoker  
 status of the employee.

#### Premiums/Claims Experience

	<u>Dec. 31, 2007</u>	<u>Restated Dec. 31, 2006</u>
Premiums	\$10,551,385	\$9,917,246
Claims	8,786,126	\$8,553,328
# Claims		
- Employee	69	64
- Dependent	53	61

## Management's Report

To the Members of the Legislative Assembly of Saskatchewan

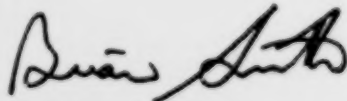
As members of management of the Public Employees Group Life Insurance Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The actuary has prepared a valuation report on the provision for life insurance benefits of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management. This report has been used in the preparation of the financial statements.

We believe the Public Employees Group Life Insurance Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

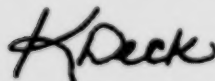
We enclose the financial statements of the Public Employees Group Life Insurance Fund for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
March 18, 2008



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## Actuaries' Opinion

With respect to the Public Employees Group Life Insurance Plan, we have prepared an actuarial valuation as at December 31, 2007 for the purpose of determining the necessary actuarial information for financial statement reporting. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation; and
- the actuarial cost methods employed are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.



David R. Larsen, FSA, FCIA  
Aon Consulting Inc.

March 18, 2008



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## **Public Employees Group Life Insurance Fund**

### **Financial Statements**

**Year Ended December 31, 2007**

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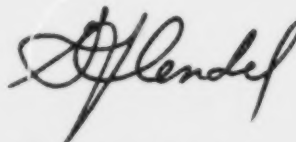
## Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Group Life Insurance Fund as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'F. Wendel', with a stylized flourish at the end.

Regina, Saskatchewan  
March 18, 2008

Fred Wendel, CMA, CA  
Provincial Auditor

**Public Employees Group Life Insurance Fund  
Statement of Financial Position**

**Statement 1**

**As At December 31**

	<b>2007</b>	<b>2006 (Restated Note 13)</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 150,493	\$ 183,880
Accounts receivable	452,854	438,938
Receivable from Co-operators Life Insurance Company (Note 4)	2,750,216	844,738
	3,353,563	1,467,556
Due from Co-operators Life Insurance Company (Note 2b, 3)	73,460,307	72,747,032
Total assets	<u>\$76,813,870</u>	<u>\$74,214,588</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 475,659	\$ 327,903
Claims payable	1,358,667	759,416
	1,834,326	1,087,319
Payable to other employers (Note 6)	1,924,725	1,583,996
Provision for life insurance benefits (Note 5)	35,427,600	31,629,300
Total Liabilities	39,186,651	34,300,615
NET ASSETS (Statement 2)	<u>37,627,219</u>	<u>39,913,973</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$76,813,870</u>	<u>\$74,214,588</u>

(See accompanying notes to the financial statements)

**Public Employees Group Life Insurance Fund**  
**Statement of Operations and Net Assets**

**Statement 2**

**Year Ended December 31**

	<b>2007</b>		<b>2006</b>
	<b>Budget (Note 11)</b>	<b>Actual</b>	<b>Actual (Restated Note 13)</b>
<b>REVENUE</b>			
Premiums	\$10,842,000	\$10,551,385	\$ 9,917,246
Investment income	5,060,500	881,430	6,290,417
	<u>15,902,500</u>	<u>11,432,815</u>	<u>16,207,663</u>
<b>EXPENSE</b>			
Claims	8,880,000	8,786,126	8,553,328
Change in provision for life insurance benefits	-	3,798,300	3,842,800
Administration (Note 7)	351,915	312,123	253,134
Premium taxes	291,000	320,311	258,004
Adjudication fees	322,500	312,041	284,146
Management fees (Note 8)	190,000	190,668	184,141
	<u>10,035,415</u>	<u>13,719,569</u>	<u>13,375,553</u>
(Deficit) Surplus for the year	5,867,085	(2,286,754)	2,832,110
NET ASSETS, BEGINNING OF YEAR	<u>39,913,973</u>	<u>39,913,973</u>	<u>37,081,863</u>
NET ASSETS, END OF YEAR (Statement 1)	<u>\$45,781,058</u>	<u>\$37,627,219</u>	<u>\$39,913,973</u>

(See accompanying notes to the financial statements)

**Public Employees Group Life Insurance Fund**  
**Statement of Cash Flows**

**Statement 3**

**Year Ended December 31**

	<u>2007</u>	<u>2006</u>
Cash flows from (used in) operating activities:		
Premiums received	\$ 9,056,226	\$10,752,578
Claims paid	(8,208,139)	(8,594,373)
Administration expenses paid	(296,930)	(240,130)
Premium taxes paid	(287,082)	(259,088)
Adjudication fees paid	(297,462)	(284,472)
	<u>(33,387)</u>	<u>1,374,515</u>
Cash flows (used in) from investing activities (Note 2b, 3):		
Proceeds from investments	1,500,000	450,000
Purchase of investments	(1,500,000)	(1,850,000)
	<u>-</u>	<u>(1,400,000)</u>
Net decrease in cash	(33,387)	(25,485)
CASH, BEGINNING OF YEAR	<u>183,880</u>	<u>209,365</u>
CASH, END OF YEAR	<u>\$ 150,493</u>	<u>\$ 183,880</u>

(See accompanying notes to the financial statements)

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## **Public Employees Group Life Insurance Fund Notes to the Financial Statements**

**December 31, 2007**

### **1. Description of Fund**

The Public Employees Group Life Insurance Fund (PEGIF) is a special purpose fund used to account for transactions of the Group Life Insurance Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides comprehensive life insurance coverage to certain members of the public service of the Province of Saskatchewan and Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The plan provides basic life insurance coverage at the commencement of employment without a medical examination. Additional coverage may be purchased with a medical examination. The coverage is renewed automatically every year. At retirement, retirement death benefit certificates having values up to \$15,000 (basic death benefit certificate \$10,000) are given to employees. The cost of providing these certificates to retiring employees is included in the provision for life insurance benefits. At retirement, members can elect to continue insurance coverage. The Plan's insurance coverage does not include accumulation of cash values. The Plan is administered under the terms of an agreement with the Co-operators Life Insurance Company (Co-operators).

Claims are adjudicated and processed for payment by the Co-operators.

Employees and employers pay premiums monthly. Premiums are paid by the employers on the first \$7,000 to \$30,000 of coverage. Employees pay for the remainder of their coverage at a rate of \$0.22 to \$0.27 per month per \$1,000 coverage.

Premiums for life insurance are waived for disabled members of the Public Employees Disability Income Plan, the Saskatchewan Government Insurance Long Term Disability Plan, and the Saskatchewan Government and General Employees Union Long Term Disability Plan. The cost of providing life insurance coverage (benefit) due to waiver of premiums is included in the provision for life insurance benefits.

During the period of agreement all death claims from a catastrophic accident over and above the two largest individual claims will not be charged to the Government. Catastrophic accident means each and every accident or series of accidents arising out of one event or occurrence resulting in the death of three or more people insured under the Plan. The Plan pays 0.35% of premium revenue to the Co-operators for this coverage. The amount expensed during the year is included in adjudication fees and the Plan had no claims for 2007 (no claims for 2006).

### **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.



a) Premium revenue

Premiums are recognized when due.

b) Due from Co-operators Life Insurance Company (Co-operators)

According to the agreement between PEBA and Co-operators, Co-operators has established a segregated fund for the investment of PEGIF's monies. The balance of this segregated fund represents a debt due from Co-operators. This debt is represented by the investments of the segregated fund.

All investments in the segregated fund are valued at fair value. The fair value of short-term notes is based on cost. The cost of short-term notes plus accrued interest approximates their market value. Canadian government and corporate bonds, Canadian and US equities, and non-North American equities are valued at the closing bid price. The market values of investments in foreign currencies are translated into Canadian dollars at the closing rate of exchange on the valuation date. The purchase and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

c) Provision for life insurance benefits

Group Life policies are considered yearly termed life policies that are automatically renewed every year. Under such life policies, claims are recorded in the year of the claim. The provision for life insurance benefits represents the present value of future payments arising from benefits for disabled employees whose premiums have been waived and includes an estimated amount for claims incurred but not yet reported. The provision also includes the present value of the retirement death benefit certificates for those employees who retired prior to year end. The provision for life insurance benefits is subject to uncertainty and is selected from a range of possible outcomes. Adjustments to the provisions for life insurance benefits are made as additional information becomes available. The provision for life insurance benefits is determined pursuant to an actuarial valuation. Any resulting change in the liability pursuant to the valuation is recognized as a revenue or expense item in the statement of operations and net assets.

d) Claims expense

Claims are recognized in the year they are incurred. Claims expense includes future payments arising from life claims received during the year and an estimate of life claims received after the year end for fatalities that occurred during the year.

e) Cash

Cash consists of balances with the bank.

f) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision of life insurance benefits – see Note 5.

g) Financial instruments

Effective January 1, 2007, PEGIF adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) handbook section 3855 - Financial Instruments - Recognition and Measurement. Under this new standard, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The impact of the adoption of these recommendations on the carrying values of the financial instruments in PEGIF's financial statements is insignificant.

The PEGIF's financial instruments and their classification are as follows:

Financial Instrument	Classification
Accounts receivable	Loans and receivables
Receivable from Co-operators Life Insurance Company	Loans and receivables
Accounts Payable	Other financial liabilities
Claims payable	Other financial liabilities
Payable to other employers	Other financial liabilities
Due from Co-operators Life Insurance Company	Held-for-trading

Loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets are measured at fair value.

The carrying value of financial instruments approximates their fair value. Changes in fair value are recognized in the Statement of Operations and Net Assets.

h) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan is required to adopt the CICA handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

**3. Due from Co-operators Life Insurance Company (Co-operators)**

The balance due from Co-operators is represented by investments held on behalf of PEGIF in a segregated fund. The investments held in the segregated fund as at December 31, 2007 consist of

short-term notes, Canadian government and corporate bonds, Canadian and US equities, and non-North American equities. The investments are subject to interest rate risk, credit risk, market risk, and foreign exchange risks. In accordance with the Plan's Statement of Investment Policy and Goals, PEBA limits these risks by regulating the aggregate and individual investments limits, by setting quality parameters of investments, and by setting other constraints.

The Co-operators does not remit the investment income to PEGIF; it reinvests the income, net of management fees, in the segregated fund.

#### 4. Receivable from Co-operators

According to the agreement between PEBA and Co-operators, Co-operators has established an account for receipt of PEGIF's premiums and payment of claims and administrative expenses. The balance in this account represents monies owing by Co-operators to PEGIF.

#### 5. Provision for Life Insurance Benefits

An actuarial valuation was performed by Aon Consulting Inc. as at December 31, 2007 and as at December 31, 2006 to determine the liability for future costs of providing life coverage to existing disabled employees whose premiums have been waived (waived premiums) prior to year end and the retirement death benefit certificates (retirement certificates) for those employees who retired prior to year end.

The actuarial valuation of future benefits as at December 31 and the principal components of the change in actuarial valuation during the year, were as follows:

	2007		2006	
	Waived Premiums	Retirement Certificates	Waived Premiums	Retirement Certificates
Actuarial valuation, beginning of year	\$15,072,200	\$16,557,100	\$14,177,400	\$13,609,100
Interest on previous liability	753,600	827,900	708,900	680,500
Mortality and termination experience (gain) loss	(683,100)	130,600	(1,144,100)	112,900
New claims	4,989,700	2,710,700	4,278,800	2,731,900
Expected benefit payments	(3,084,200)	(692,900)	(2,948,800)	(577,300)
Change in assumptions	(295,900)	(858,100)	-	-
Total actuarial valuation liability, end of year	<u>\$16,752,300</u>	<u>\$18,675,300</u>	<u>\$15,072,200</u>	<u>\$16,557,100</u>

The total liability as at December 31, 2007 is \$35,427,600 (2006 - \$31,629,300). The liability includes \$18,675,300 (2006 - \$16,557,100) for retirement death benefit certificates and \$16,752,300 (2006 - \$15,072,200) for life coverage for those disabled employees whose premiums have been waived.

The valuation is based on the following assumptions: 1) the life waiver valuation uses a table derived from the *Group Life Waiver Study Based on 1988-1994 Canadian Group LTD Termination Experience*, published November 2001, with mortality rates adjusted to 200%; 2) the interest rate assumed is 5.5% (2006 - 5.0%); 3) the mortality rates of existing retirees are based on the Complete Life Table, Canada 2000-2002; 4) the inflation rate assumed is 2.5% (2006 - 2.5%) for all future years.

If the valuation assumed no indexing of the level of insurance for those disabled employees, the liability at December 31, 2007 would be \$33,623,200 (2006 - \$29,946,700).

The liability for the cost of providing life insurance coverage to disabled employees whose premiums have been waived prior to year end and the retirement death benefit certificates for those employees who retired prior to year end are based on a number of assumptions about future events including: recovery and mortality rates and interest rates. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate and mortality on the retirement death benefit certificate liability:

- a 1% change in the interest rate equals a 14.4% change in the liability including the cost of living adjustment as determined by the consumer price index
- a 10% change of the Group Life Insurance mortality equals a 3.3% change in the liability

The following illustrates the effect of changes in the interest rate, cost of living adjustment and mortality on group life waivers:

- a 1% change in the interest rate equals a 4.9% change in the liability including the cost of living adjustment as determined by the consumer price index
- a change in the cost of living adjustment of 1% equals a 4.6% change in the liability
- a change of waiver mortality by 10% equals a 8.1% change in the liability

The provision for life insurance benefits is long term in nature and there is no market for settling these obligations. Therefore, it is not practical to determine the fair value of the provision for life insurance benefits.

## **6. Payable to Other Employers**

Public Service Commission, Prairie North Regional Health Authority and Sun Country Regional Health Authority (in conjunction with Canadian Union of Public Employees, Local 600), SaskEnergy, SaskPower, and Saskatchewan Government Insurance (SGI) signed agreements whereby these agencies became responsible for the additional \$5,000 (total of \$10,000 except for SGI total of \$15,000 or \$25,000) paid up life insurance policy to their employees upon retirement (Retirement Death Benefit Certificates).

These agencies pay the premiums for this enhanced benefit to PEGIF and PEGIF pays the claims on behalf of the employers. The payable represents the accumulated difference between premiums collected and the claims paid. The fair value of the payable approximates its carrying value.

## **7. Administration Expenses**

PEBA administers PEGIF for a mutually agreed upon fee. PEGIF pays the annual administration fee to PEBA on agreed upon dates.

## **8. Management Fees**

PEBA can invest money of PEGIF in any securities authorized for investment pursuant to PEGIF's Statement of Investment Policies and Goals (Statement). PEBA has made an agreement with Co-operators to invest the monies of PEGIF consistent with the Statement. PEGIF pays management fees to the Co-operators for providing this service.

## **9. Investment Performance**

PEGIF's investments are represented by the amounts due from Co-operators (see note 2b, 3).

The following is a summary of PEGIF's investment performance:

	<u>2007</u>	<u>Four year annualized return</u>
Actual (a)	1.2%	7.6%
Benchmark (b)	1.6%	6.8%

- (a) The annual returns are before deducting investment expenses.
- (b) The benchmark return is PEGIF's target rate of return for its segregated fund. The benchmark return is based on the performance of PEGIF's planned investment portfolio for its segregated fund.

## **10. Financial Instruments Risks**

PEGIF is exposed to minimal credit risk from the potential non-payment of accounts receivable and the receivable from Co-operators Life Insurance Company. PEGIF's risks arising from the balance due from Co-operators Life Insurance Company are described in Note 3.

## **11. Budget**

PEBA approves PEGIF's annual budget. The 2007 budget was approved on January 16, 2007.

## **12. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to PEGIF by virtue of common

control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$452,854	\$438,938
Accounts payable	\$397,142	\$295,361

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

### 13. Prior period adjustment

In prior years, the interest owing by PEGIF on the payable to other employers and the premiums charged for the additional paid up life insurance benefits were calculated incorrectly. The errors have been corrected retroactively. The effect of the corrections to the financial statements as at December 31, 2006 is outlined below:

	<u>2006 Increase / (Decrease)</u>
<b>Statement of Financial Position</b>	
Payable to other employers	\$ 529,014
Net assets	(529,014)
<b>Statement of Operation and net Assets</b>	
Premiums	(4,673)
Investment income	(125,350)
Surplus for the year	(130,023)
Net assets, beginning of year	(398,991)
Net assets, end of year	(529,014)

